

ESTTA Tracking number: **ESTTA354813**

Filing date: **06/24/2010**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91194115
Party	Defendant Robert Marx
Correspondence Address	CARL E. CHRISTENSEN CHRISTENSEN LAW OFFICE PLLC 1422 W LAKE STREET, SUITE 216 MINNEAPOLIS, MN 55408-2616 UNITED STATES carl@clawoffice.com
Submission	Opposition/Response to Motion
Filer's Name	Carl E. Christensen
Filer's e-mail	carl@clawoffice.com
Signature	/s/Carl E. Christensen
Date	06/24/2010
Attachments	Motion Dismiss Response (Opposition).pdf (9 pages)(116673 bytes)

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

Latarie (Pty) Limited, v. Robert Marx,	Opposer/Plaintiff, Applicant/Defendant.	Opposition No. 91194115 Application No. 77832433 Mark: ZAFRIKA
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APPLICANT’S OPPOSITION TO MOTION TO DISMISS

Applicant/Defendant, Robert Marx (“Marx”), respectfully submits this memorandum in opposition to the motion to dismiss filed by Latarie (Pty) Limited (“Latarie”) on June 11, 2010.

INTRODUCTION

In filing this motion to dismiss, Latarie attempts to impose a standard of pleading for fraud that far exceeds the requirements under the law. Marx has counterclaimed to cancel Latarie’s registration for the ZARAFA mark. Latarie is a wine supplier to Marx’s business, which imports and distributes wine and markets, imports, and distributes custom label wine. Marx developed, marketed, and sold the ZARAFA brand wine to the Trader Joe’s retail chain in the United States. At all times, Marx controlled the quality of the wine that sold to Trader Joe’s as ZARAFA brand wine. For that reason, any trademark rights that were created by the use of the ZARAFA brand wine in the channels of commerce inured to Marx, not Latarie. Nevertheless, on June 22, 2006, Latarie filed an application with the U.S. Patent and Trademark Office (“PTO”) for the mark ZARAFA as identifying wines, which the PTO registered on December 18, 2007, as

Registration No. 3357945.

Latarie now brings a convoluted motion to dismiss that wrongly asserts that Marx has made a “legally deficient” claim. Latarie asserts that Marx’s counterclaim, which attack’s Latarie’s registration of the ZARAFA mark, “clearly lack required elements to form a recognizable claim that can be asserted in relation to Opposer’s claim against Applicant’s ZAFRIKA mark based on Section 2(d).” On the contrary, Marx’s claim clearly states that Latarie never used the ZARAFA mark and, therefore, Marx brings his counterclaim to cancel the ZARAFA mark in the context of this opposition action.

Latarie also asserts that Marx has not made a sufficient pleading for fraud. Latarie basis this assertion upon a hypertechnical application of the Federal Circuit’s decision in In re Bose Corp., 580 F.3d 1240, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009) that is not supported by that case or any related cases. Quite simply, Marx has plead facts that related to his development of the ZARAFA brand wine, control of the quality of the ZARAFA brand wine, and his ownership of the common-law ZARAFA mark at the time of Latarie’s registration of that mark. At all times, Latarie was Marx’s supplier and had actual knowledge of Marx’s development, quality control, and ownership of the ZARAFA mark. Nevertheless, Latarie knowingly made false representations of fact in the ZARAFA registration with intent to defraud the U.S.P.T.O.

ARGUMENT

I. Standard for Alleging Fraud on the PTO

Marx’s claims contain explicit circumstances that constitute fraud, which meets the standard for the PTO. A petitioner must allege the elements of fraud with

particularity in accordance with Fed. R. Civ. P. 9(b), made applicable to Board proceedings by Trademark Rule 2.116(a). Under Rule 9(b), together with Fed. R. Civ. P. 11 and USPTO Rule 11.18, “the pleadings [must] contain explicit rather than implied expression of the circumstances constituting fraud.” King Automotive, Inc. v. Speedy Muffler King, Inc., 212 U.S.P.Q. 801, 803 (C.C.P.A. 1981). In addition, the Board has held in a recent post-Bose decision that to satisfy rule 9(b) the allegations must be accompanied by a state of facts to support the fraud claim:

[p]leadings of fraud made ‘on information and belief,’ when there is no allegation of ‘specific facts upon which the belief is reasonably based’ are insufficient. Additionally, under USPTO Rule 11.18, the factual basis for a pleading requires either that the pleader know of facts that support the pleading or that evidence showing the factual basis is ‘likely’ to be obtained after a reasonable opportunity for discovery or investigation. Allegations based solely on information and belief raise only the mere possibility that such evidence may be uncovered and do not constitute an adequate pleading of fraud with particularity. Thus, to satisfy Rule 9(b), any allegations based on ‘information and belief’ must be accompanied by a statement of facts upon which the belief is founded.

Asian and Western Classics B.V. v. Selkow, 92 U.S.P.Q.2d 1478, 1479 (T.T.A.B. 2009)

(citations omitted).

II. Petitioner Sufficiently Alleged Fraud on the PTO

Marx sufficiently alleged the essential elements of a claim of fraud perpetuated by Latarie on the PTO. Unlike the Bose case, here, Latarie is Marx’s supplier and had actual knowledge of Marx’s control and use of the ZARAFA mark. Marx sufficiently alleges that he, not Latarie, exclusively controlled the quality of the ZARAFA brand wine: “Marx relied on his knowledge of the Trader Joe’s corporate culture and customer base to develop a line of wines to sell exclusively to Trader Joes” (Counter Claim ¶ 17.); Marx

communicated the characteristics that he wanted in the line of wines to be marketed to Trader Joe's to [Latarie]" (Counter Claim ¶ 19.); "On or about 2003, [Latarie] sent wine samples to [Marx]" (Counter Claim ¶ 21.); "From these samples, Marx chose which of the samples would go into the bottles to be marked to Trader Joe's" (Counter Claim ¶ 22.); "On or about 2003, Marx selected the name "Zarafa" for the wine that would be marketed to Trader Joe's" (Counter Claim ¶ 27.). All of these allegations are based in fact. Unlike the allegations cited in Asian and Western Classics, Marx's allegations in its complaint meet the requirements of Rule 9(b) since they are supported by statements of fact providing information upon which Marx relies.

As alleged in Marx's counter claim, Latarie has never used the ZARAFA mark in the United States in connection with any goods or services. To file the registration for the ZARAFA mark, Latarie had to declare, through counsel, that it was the owner of the ZARAFA mark, that it was entitled to use the ZARAFA mark, that to the best of its knowledge, no other person, firm, corporation, or association had the right to use the mark in commerce in the identical form or in any form likely to cause confusion, to cause mistake, or to deceive. All of these declarations of Latarie's counsel were false. Latarie also had to declare through counsel that it was warned that willful false statements and the like are punishable by fine or imprisonment. The fraud alleged is that Latarie knew Marx had common-law rights to the ZARAFA mark when it registered the ZARAFA mark with the USPTO. Because of Latarie's relationship in the manufacturing chain of ZARAFA wine, Latarie at all times had actual knowledge of Marx's use and control of the ZARAFA mark. Latarie's assertion now that Marx's fraud claim is unsupported in fact and law is wholly disingenuous. Latarie clearly intended to wrest control of the

ZARAFA mark from Marx.

Additionally, construed with the paragraphs cited above, the paragraphs that Latarie cites in Marx's complaint clearly state a claim of fraud with the requisite specificity. Marx makes his claim clear by stating the following:

49. When Latarie (Pty) Limited filed the ZARAFA mark on June 22, 2006 with the United States Patent and Trademark Office, it had no use of the ZARAFA brand wine.
50. When Latarie (Pty) Limited filed the ZARAFA mark on June 22, 2006, it attested under penalty of perjury that it had used the ZARAFA mark in commerce with respect to wine.
51. Because Latarie (Pty) Limited had no use of the ZARAFA mark upon filing the trademark registration for the ZARAFA mark, it has committed fraud on the U.S. Patent and Trademark Office.

(Counter Claim ¶¶ 49 – 51.) Implied in Latarie's argument is that the Board should not look to the factual allegations preceding paragraph 49 for the factual basis for fraud. To be sure, if every paragraph of the complaint had to contain every factual allegation to achieve the requisite specificity under Bose, that would very quickly take us back to the overly rigid pleading requirements of the 18th and 19th century. This is not what Bose intends. Nevertheless, Marx's pleadings meet the current standard for pleading under Bose. Cf. Meckatzer Löwenbräu Benedikt Weiß KG v. White Gold, LLC, Cancellation No. 92051014 (T.T.A.B. May 13, 2010) (stating that making the allegation that "Respondent knowingly made false, material misrepresentations of fact in procuring the Registrations with the intent to defraud the U.S.P.T.O." fulfilled the Bose standard for

pleading fraud).

Also, Latarie intends to impose a strict pleading requirement of requiring a citation to the Lanham Act to pray for relief. This is another attempt to construe Bose to create an overly formal standard for pleading. Nevertheless, the allegation is as follows: Latarie's registered ZARAFA mark so resembles Marx's common-law ZARAFA mark as to be likely to cause confusion, mistake, or deception, and is therefore precluded from registration under Section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d).

Finally, Latarie also attempts to contort Bose a third time to require a specificity requirement for affirmative defenses, as well. Rule 8(c) of the Federal Rules of Civil Procedure states that a party must affirmatively state an affirmative defense. There is no requirement in the Rules that affirmative defenses need to be asserted with specificity.

While Marx has not yet had the benefit to take discovery of Latarie, Marx's pleading of fraud nevertheless includes an appropriate allegation of intent and is not based solely on the "mere possibility" that it will be able to uncover evidence to support its claim. See In re Bose Corp., 91 U.S.P.Q.2d at 1939-40. Again, unlike the pleading in Asian and Western Classics, Marx's pleading of fraud here does not rest solely on allegations that Latarie made material representations of fact in connection with the ZARAFA Registration, which it "knew or should of have known" to be false or misleading. Rather, Marx's pleading of fraud rests on sufficient, specific underlying facts from which the Board may reasonably infer that Latarie acted with the requisite state of mind. See Exergen Corp. v. Wal-Mart Stores Inc., 91 U.S.P.Q.2d 1656, 1667, n.4 (Fed. Cir. 2009).

Accordingly, Petitioner has sufficiently plead a claim of fraud and should be

permitted to proceed with its case. In the alternative, if the Board does find Marx's pleading to be insufficient, Marx respectfully asks leave of the Board to amend his counter claim.

III. Latarie's Registration Should be Cancelled

Latarie wrongly asserts that Marx cannot bring a counterclaim to cancel the ZARAFA registration in an opposition action for the ZAFRIKA ITU registration because Marx has not alleged use of the ZAFRIKA mark. With this legal prestidigitation, Latarie attempts to appropriate the specificity requirement in Bose to create a burden for Marx that is plainly wrong. Quite simply, Marx's cancellation counterclaim is a compulsory counterclaim pursuant to section 2.106(b)(2)(ii) because the grounds to the counterclaim are known to Marx when he filed the answer to the opposition. There is no support in the rules or the law that Marx only has standing to bring a counterclaim for cancellation if he has used the allegedly (by Latarie) confusingly similar mark. As stated above, Marx has clearly stated that Latarie intended to register a mark that he was statutorily barred from registering. While the Court in Bose clarified the law to be applied to claims for cancellation of trademark registrations based on fraud on the PTO, the consequences of such fraud, as first articulated by the Board in Medinol, are still valid. As a result, once fraud is found, the Board has consistently refused to allow the registrant to cure the false declaration and has ordered the registration cancelled in its entirety. See, e.g., Medinol Ltd. v. Neuro Vasx, Inc., 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003); Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha, 77 U.S.P.Q.2d 1917 (T.T.A.B. 2006). Therefore, should the Board find that Latarie committed fraud in procuring the ZARAFA

Registration, it should be cancelled in its entirety.

CONCLUSION

Wherefore, based on the foregoing, Marx respectfully requests that Latarie's motion to dismiss be denied and that Marx be allowed to pursue its claim to cancel Latarie's ZARAFA Registration.

Respectfully submitted,

CHRISTENSEN LAW OFFICE PLLC

Dated: June 24, 2010

By: /s/Carl Christensen
Carl Christensen (MN Bar # 0350412)
1422 West Lake Street, Suite 216
Minneapolis, Minnesota 55408
(612) 823-4016
(612) 823-4777 fax
carl@clawoffice.com
Attorney for Robert Marx

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Opposition to Motion to Dismiss was served on Respondent's counsel, on June 24, 2010, via First Class Mail, postage prepaid to:

Michael Culver
Millen White Zelano & Branigan PC
2200 Clarendon Blvd. Suite 1400
Arlington, VA 22201